

Message Text

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PAGE 01 BONN 02986 01 OF 02 211700Z

43

ACTION TRSE-00

INFO OCT-01 EUR-12 EA-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-04 OPIC-06 LAB-04 SIL-01

L-02 H-02 PA-02 PRS-01 USIA-15 /110 W

----- 130842

R 211649Z FEB 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 8177

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 02986

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING FEBRUARY
20)

REF.: BONN 26L7

1. FOREIGN EXCHANGE MARKET: DURING THE REPORTING WEEK

FORWARD DOLLARS

(DISCOUNTS IN PCT. P.A.)

SPOT DOLLARS ONE-MONTH THREE-MONTH

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PAGE 02 BONN 02986 01 OF 02 211700Z

FEB 14 DM 2.3225 -1.3 -1.4

17	2.3165	-1.6	-1.5
18	2.3248	-1.8	-1.6
19	2.3175	-1.8	-1.6
20	2.3298	-1.3	-1.6

WITHIN THE JOINT FLOAT THE DUTCH GUILDER AND THE BELGIAN FRANC WERE ABOVE THEIR DM CENTRAL RATES. NONE OF THE CURRENCIES REACHED THEIR UPPER DM INTERVENTION RATES.

2. MONEY MARKET: ON THE GERMAN MONEY MARKET THE EASING TREND CONTINUED. ON FEBRUARY 19 CALL MONEY FELL TO 1 PERCENT FOLLOWING THE DISCONTINUATION BY THE BUNDESBANK OF SALES OF TREASURY NOTES TO DOMESTIC BANKS. THESE SALES WERE INITIATED ON FEBRUARY 12 (SEE BONN 2617). DURING THE REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY

FEB 14	3.3-3.8	5.0-5.4	6.0-6.4
17	3.3-3.5	5.0-5.4	6.0-6.4
18	1.7-2.3	4.5-5.0	5.7-6.0
19	1.0-1.3	4.5-5.0	5.7-6.0
20	1.0-1.5	4.5-5.0	5.7-6.0

3. MONETARY RESERVES: IN THE FIRST WEEK OF FEBRUARY (FEBRUARY 1-7) BUNDESBANK MONETARY RESERVES INCREASED BY DM 0.8 BILLION TO DM 83.6 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 446 MILLION AND GERMANY'S IMF GOLD TRANCHE POSITION BY DM 63 MILLION WHILE GROSS LIABILITIES FELL BY DM 293 MILLION AND NOTES AND COINS BY DM 2 MILLION. IN THE SECOND WEEK OF FEBRUARY (FEBRUARY 8-15) BUNDESBANK MONETARY RESERVES INCREASED BY DM 0.7 BILLION TO DM 84.3 BILLION. HOLDINGS OF LIQUID FOREIGN EXCHANGE INCREASED BY DM 779 MILLION, GERMANY'S IMF GOLD TRANCHE POSITION BY DM 12 MILLION AND GROSS LIABILITIES BY DM 91 MILLION.

4. BANK LIQUIDITY: IN THE FIRST WEEK OF FEBRUARY BANK UNCLASSIFIED

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PAGE 03 BONN 02986 01 OF 02 211700Z

LIQUIDITY INCREASED BY DM 1.5 BILLION. FACTORS INCREASING LIQUIDITY WERE THE USUAL DECLINE IN CURRENCY IN CIRCULATION AT THE BEGINNING OF A MONTH (DM 1.4 BILLION), THE ABOVE-MENTIONED INCREASE IN MONETARY RESERVES AND A DECLINE IN OFFICIAL NET ASSETS HELD AT THE BUNDESBANK (DM 0.6 BILLION). LIQUIDITY WAS REDUCED BY AN INCREASE IN HOLDINGS OF RESERVES AT THE BUNDESBANK (DM 1.2 BILLION). OTHER FACTORS, NET, REDUCED

LIQUIDITY BY DM 0.1 BILLION. DURING THE FIRST WEEK
OF FEBRUARY BANKS REDUCED REDISCOUNT BORROWINGS BY
DM 1.3 BILLION AND LOMBARD BORROWINGS BY DM 0.2 BILLION.
DURING THE SECOND WEEK OF FEBRUARY BANK LIQUIDITY WAS
INCREASED BY DM 4.8 BILLION. LIQUIDITY WAS INCREASED
PRINCIPALLY THROUGH A DECLINE IN HOLDINGS OF RESERVES
AT THE BUNDESBANK (DM 3.9 BILLION), THE ABOVE-MENTIONED
INCREASE IN MONETARY RESERVES AND A DECLINE IN CURRENCY
IN CIRCULATION (DM 0.5 BILLION). LIQUIDITY WAS REDUCED

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UNCLAS SECTION 02 OF 02 BONN 02986

BY AN INCREASE IN OFFICIAL NET ASSETS HELD AT THE
BUNDESBANK (DM 0.1 BILLION). OTHER FACTORS, NET, RE-

DUCED LIQUIDITY BY DM 0.2 BILLION. THE BANKS USED THE INCREASED LIQUIDITY TO INCREASE HOLDINGS OF BUNDESBANK MONEY MARKET PAPER BY DM 3.3 BILLION AND TO REDUCE RE-DISCOUNT BORROWINGS BY DM 1.5 BILLION.

5. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:

8 PERCENT 7 PERCENT 6 PERCENT

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PAGE 02 BONN 02986 02 OF 02 211700Z

FEB 14	9.23	9.17	8.88
17	9.24	9.15	8.84
18	9.22	9.13	8.84
19	9.21	9.13	8.79
20	9.17	9.13	8.72

THE CITY OF HAMBURG HAS ISSUED A DM 300 MILLION LOAN WITH THE FOLLOWING CONDITIONS: COUPON 8.75 PERCENT; ISSUE PRICE 99.25 PERCENT. ON FEBRUARY 19 THE LASTEN-AUSGLEICHSBANK, BONN-BAD GODESBERG HAS ISSUED A DM 400 MILLION LOAN (CONDITIONS: COUPON 8.75 PERCENT; ISSUE PRICE 99.75 PERCENT; MATURITY 8 YEARS; YIELD TO MATURITY 8.79 PERCENT). THE GOVERNMENT OF AUSTRIA HAS ISSUED A DM 100 MILLION LOAN (CONDITIONS: COUPON 9 PERCENT; ISSUE PRICE 100 PERCENT; MATURITY 8 YEARS). AS A PRIVATE PLACEMENT THE COOPERATIVE CENTRAL BANK A.G., VIENNA WILL ISSUE A DM 50 MILLION LOAN (CONDITIONS: COUPON 9.25 PERCENT; MATURITY 7 YEARS). ALSO IN PRIVATE PLACEMENT THE TAUERNAUTOBAHN, AUSTRIA WILL ISSUE A DM 50 MILLION LOAN (CONDITIONS: COUPON 9 PERCENT; ISSUE PRICE 99 PERCENT; MATURITY 7 YEARS). THE CITY OF OSLO, NORWAY, WILL ISSUE A DM 70 MILLION LOAN (CONDITIONS: COUPON 9 PERCENT; ISSUE PRICE 100 PERCENT). THE PHILIPS COMPANY, NETHERLANDS WILL ISSUE A DM 100 MILLION LOAN (CONDITIONS: COUPON 8.75 PERCENT; ISSUE PRICE 99.50 PERCENT; MATURITY 7 YEARS; YIELD TO MATURITY 8.85 PERCENT).
HILLENBRAND

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